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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Nagambie Mining Limited (*Company*) will be held at the Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria at 11:00am on Monday 28 November 2011.

BUSINESS:

A. ACCOUNTS AND REPORTS

Financial and related reports

To table the financial report of the Company and the related reports of the Directors and auditors for the year ended 30 June 2011 and to provide members with the opportunity to raise any issues or ask any questions generally of the Directors.

B. RESOLUTIONS

To consider and, if thought fit, pass Resolutions 1, 3 and 4 as ordinary resolutions and Resolution 2 as a non-binding resolution.

1. Re-election of Mr Michael Trumbull

'That Mr Michael Trumbull, a Director retiring by rotation in accordance with the Company's Constitution and being eligible and having signified his candidature for the Office, be and is hereby re-elected a Director of the Company.'

2. Adoption of Remuneration Report

'That for the purposes of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Remuneration Report for the financial year ended 30 June 2011 be adopted.'

3. Ratification of past issue of Unsecured Convertible Notes

'That for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval be given in respect of the issue of 13,750,000 Unsecured Convertible Notes issued on 2 September 2011 on the terms and conditions set out in the Explanatory Notes.'

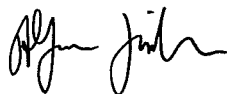
4. Issue of Options to Directors

'That for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act 2001 and all other purposes, approval be given in respect of the issue of options to the Directors of the Company as follows:

- a) 1,000,000 to Mr Michael Trumbull;
- b) 1,000,000 to Mr Colin Glazebrook;
- c) 1,000,000 to Mr Geoff Turner; and
- d) 1,000,000 to Mr Kevin Perrin,

on the terms and conditions set out in the Explanatory Notes.'

By Order of the Board



Alfonso Grillo
Company Secretary
28 October 2011

EXPLANATORY NOTES

These Explanatory Notes form part of the Notice of Annual General Meeting dated 28 October 2011 and should be read in conjunction with that Notice as these Explanatory Notes contain important information on the proposed Resolutions.

1. RESOLUTION 1 – RE-ELECTION OF MR MICHAEL TRUMBULL

Rule 16 of the Constitution requires one third of the Directors to retire each year (by rotation). Mr Michael Trumbull retires this year in accordance with this rule, and is permitted to seek re-election. Personal particulars for Mr Trumbull are set out in the Directors information included in the Company's Annual Report.

2. ADOPTION OF REMUNERATION REPORT

The Company is required to include in its Directors Report a detailed Remuneration Report relating to remuneration received by the Company's key management personnel. Section 300A of the *Corporations Act* sets out the information required to be included in the Remuneration Report. A copy of the Remuneration Report appears in the Company's Annual Report for the year ended 30 June 2011.

Sections 249L(2) and 250R(2) of the *Corporations Act* require that a resolution that the Remuneration Report be adopted be put to a vote of shareholders at the Company's annual general meeting. The vote on this resolution is advisory to the Company only, and does not bind the Board.

Under section 250SA of the *Corporations Act*, shareholders must be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report. This is in addition to any questions or comments that shareholders may have in relation to the management of the Company.

2.1. Voting Prohibition

A vote on Resolution 2 must not be cast by or on behalf of either of the following persons:

- (a) a member of the key management personnel details of whose remuneration are included in the remuneration report; or
- (b) a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with the direction on the proxy form.

3. RESOLUTION 3 – RATIFICATION OF PAST ISSUE OF UNSECURED CONVERTIBLE NOTES

Approval is sought pursuant to ASX Listing Rule 7.4 for the past issue of 13,750,000 Unsecured Convertible Notes (*Notes*) issued on 2 September 2011 to the entities outlined in these Explanatory Notes. Such approval will enable the Company to refresh its ability to issue further securities in the future without seeking shareholder approval in accordance with ASX Listing Rule 7.1.

3.1. Listing Rule 7

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company can issue without shareholder approval in any 12 month period to 15% of its issued securities.

ASX Listing Rule 7.4 allows for shareholders to retrospectively approve an issue of securities, provided that the issue was not in breach of ASX Listing Rule 7.1. The issue of the Notes considered by Resolution 3 did not breach ASX Listing Rule 7.1. Shareholders are being asked to approve the issue of the Notes in accordance with ASX Listing Rule 7.4.

If the Notes issued on 2 September 2011 are treated as having been issued with shareholder approval pursuant to ASX Listing Rule 7.4, the Company's capacity to issue further securities is restored. The Company does not presently propose to issue further securities without shareholder approval, however the Directors consider it prudent to retain the capacity to issue further securities and accordingly seek shareholders' approval of the issue of Notes as set out in Resolution 3.

3.2. Issue of Notes

The Company provides the following information in relation to the issue of the Notes:

(a) Number of securities

The number of securities for which shareholder approval is being sought is 13,750,000 Notes.

(b) Date of Issue

The Notes were issued on 2 September 2011.

(c) Consideration

The Notes were issued at \$0.04 (four cents) per Note.

(d) Terms of the securities issued

Each Note may be converted into one ordinary share in the capital of the Company at the election of the Noteholder.

Unless converted or redeemed earlier, the Notes will be redeemed by the Company on 2 September 2016.

Noteholders are entitled to interest at 10% per annum, payable every 6 months after 2 September 2011.

If the Notes are converted into ordinary shares in the capital of the Company, the resulting ordinary shares will rank equally in all respects with the Company's then existing fully paid ordinary shares.

(e) Names of the allottees

The Notes were issued to the entities as set out in the table below:

Name of Noteholder	Number of Notes issued
PPT Nominees Pty Ltd	12,500,000
Cairnglen Investments Pty Ltd <Woodford Super Fund A/C>	1,250,000
Total Notes issued:	13,750,000

(f) Use of Funds Raised

The funds raised have and are being used primarily for working capital.

(g) Recommendation

The Board, excluding Mr Perrin, recommends that shareholders approve the past issue of Notes as proposed by Resolution 3.

Mr Perrin does not make a recommendation to shareholders in relation to Resolution 3. Mr Perrin is one of 6 directors of PPT Nominees Pty Ltd which is a nominee company that is used for carrying out investment activities on behalf of numerous clients of Prowse Perrin Twomey, an accounting practice of which Mr Perrin is a partner. Mr Perrin does not control PPT Nominees Pty Ltd and as such PPT Nominees Pty Ltd is not deemed to be a related party of the Company. Although he has no material personal interest in the outcome of Resolution 3, Mr Perrin is unable to make a recommendation in relation to Resolution 3.

3.3. Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 3 by:

- (a) a person who participated in the issue; and
- (b) an associate of a person who participated in the issue.

However the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

4. RESOLUTION 4 – ISSUE OF OPTIONS TO DIRECTORS

4.1. ASX Listing Rule 10.11

Approval is sought pursuant to ASX Listing Rule 10.11 for the issue of 4,000,000 Options to Directors of the Company.

Pursuant to Listing Rule 10.11 the Company may not issue securities to a related party without the prior approval of the shareholders. Resolution 4 seeks shareholder approval in accordance with ASX Listing Rule 10.11. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

4.2. Issue of Options

The following information is provided in accordance with ASX Listing Rule 10.13:

(a) Name of the person

The Options will be issued to the existing Directors of the Company (or their nominees).

(b) Number of securities to be issued

4,000,000 Options are to be divided among the Directors as follows:

- a) 1,000,000 Options to Mr Michael Trumbull (or nominee);
- b) 1,000,000 Options to Mr Colin Glazebrook (or nominee);
- c) 1,000,000 Options to Mr Geoff Turner (or nominee); and
- d) 1,000,000 Options to Mr Kevin Perrin (or nominee).

(c) Maximum number of securities to be issued upon exercise of Options

Upon exercise, the Options may be converted into a maximum of 4,000,000 fully paid ordinary shares ranking equally in all respects with the existing fully paid ordinary shares in the Company.

(d) Date of issue and allotment

Subject to obtaining shareholder approval, the Company will issue and allot the Options within one month of the date of the Meeting.

(e) Issue price and terms of issue

The Options will be issued without consideration. The Options are exercisable at the greater of 150% of the Company's last share price immediately preceding the date of issue or \$0.10 before the fifth anniversary of their date of issue.

Full terms and conditions of the Options are detailed at Annexure A.

(f) Intended use of the funds raised

Any funds raised from the exercise of the Options will be applied towards the Company's working capital requirements.

(g) Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 by:

- a) a person who is to receive securities in relation to the Company; and
- b) an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy for to vote as the proxy decides.

4.3. Chapter 2E of the Corporations Act 2001

Chapter 2E of the Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies.

The term *financial benefit* is widely defined and includes the issue of securities such as options. The term *related party* includes a director of the Company.

The prohibition does not apply where a resolution is passed by the Company permitting the benefit to be given. Accordingly Resolution 4 is being proposed for the purpose of obtaining Shareholder approval for the purposes of Chapter 2E of the Act.

Section 219 of the Act requires the following information to be provided to Shareholders:

(a) Related Party

The following persons are Directors of the Company and are therefore the related parties to whom a financial benefit will be given under Resolution 4:

- a) Mr Trumbull;
- b) Mr Turner;
- c) Mr Glazebrook; and
- d) Mr Perrin.

(b) Nature of the Financial Benefit

The financial benefit to be given to the Directors of the Company pursuant to Resolution 4 is as follows:

- a) Mr Trumbull – the issue of 1,000,000 Options;
- b) Mr Turner – the issue of 1,000,000 Options;
- c) Mr Glazebrook – the issue of 1,000,000 Options;
- d) Mr Perrin – the issue of 1,000,000 Options.

The terms and conditions of the Options are described under item 4.2(e) above.

The purpose of the issue is to remunerate the specified director as an incentive for future services. The Directors consider it important that the Company is able to attract and retain people of the highest calibre.

The Directors consider that the most appropriate means of achieving this is to provide the directors with an opportunity to participate in the Company's future growth and give them an incentive to contribute to that growth.

The issue of options as part of the remuneration packages of directors and key consultants is a well established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst rewarding directors and consultants.

In determining the number of options to be granted, consideration was given to the relevant experience of the Directors, the respective overall remuneration and the terms of the options.

(c) Directors' Recommendation, Reasons for Recommendation and Directors' Interests

The Directors of the Company are unable to make a recommendation as to whether Shareholders should approve Resolution 4 as each Director of the Company has an interest in the outcome of Resolution 4.

(d) Independent Expert Report

The Company has commissioned DMR Corporate Ltd to provide an Independent Expert's Report in relation to the issue of Options proposed by Resolution 4. The Independent Expert Report is enclosed.

These Explanatory Notes and the Independent Expert's Report aim to provide Shareholders with all information that is reasonably required by Shareholders to decide whether or not it is in the Company's interests to pass Resolution 4. In particular, the Independent Expert's Report provides a valuation of the Options to be issued pursuant to Resolution 4.

The Independent Expert has assessed the value of each Option at \$0.0051, or \$5,100 for the parcel of 1,000,000 Options to be issued to each Director. This valuation is based on the following variables and assumptions being considered:

- (i) the current share price of the underlying shares;
- (ii) the exercise price of the Options;
- (iii) the volatility of the share price;
- (iv) the vesting conditions;
- (v) the time to maturity;
- (vi) the risk free rate of interest;
- (vii) the expected dividend yield; and
- (viii) an exercise price multiple.

(b) Trading History

At the close of trading on the date preceding the date of printing this Notice, the Share price of the Shares in the Company was \$0.022. In the 12 months prior to the date of this Notice, the Shares in the Company traded at a high of \$0.03 between 21 February 2011 and 8 March 2011 and on 11 August 2011 and a low of \$0.019 on 6 January 2011.

(c) Opportunity Cost

The Directors do not consider that there are any material opportunity costs to the Company or benefits foregone by the Company in issuing the Options pursuant to Resolution 4.

(d) Taxation Consequences

The Directors are not aware of any taxation consequences that will arise from the issue of Options pursuant to Resolution 4.

(e) Director's interest in the Shares of the Company

The table below illustrates the following:

- (i) the first column sets out each Director in the Company;
- (ii) the second column sets out the relevant interest of each Director in the securities of the Company;
- (iii) the third column sets out the number of Options to be issued to each Director pursuant to Resolution 4;
- (iv) the fourth column sets out the relevant interest held by each Director if the Options are issued to that Director pursuant to Resolution 4;
- (v) the fifth column sets out that if the Options are issued to that Director and that Director exercises all of their Options (including the existing Options held by that Director) but none of the Options held by the other Directors are exercised, the total Shares on issue in the Company will increase from 168,859,949 to that number; and
- (vi) the sixth column sets out the Director's relevant interest percentage in the Shares of the Company if the Director exercises all of their Options but none of the Options held by the other Directors are exercised.

Director	Relevant Interest		Options to be issued pursuant to Resolution 4	Relevant Interest post issue of Options the subject of Resolution 4		Total Shares on Issue if all Options exercised*	Percentage Relevant Interest if all Options exercised*
	Shares	Existing Options		Shares	Options		
Mr Trumbull	17,265,192	2,500,000	1,000,000	17,265,192	3,500,000	172,359,949	12.05%
Mr Turner	602,084	2,500,000	1,000,000	602,084	3,500,000	172,359,949	2.38%
Mr Glazebrook	779,167	4,000,000	1,000,000	779,167	5,000,000	173,859,949	3.32%
Mr Perrin	7,544,834	1,000,000	1,000,000	7,544,834	2,000,000	170,859,949	5.59%

**Assumes that none of the Options issued to other Directors in accordance with Resolution 4 are exercised.*

(f) Directors' Remuneration

As at the date of the Notice of Meeting, the remuneration to be paid for the 2010/2011 fiscal year (inclusive of superannuation and director fees where applicable) to the Directors, or companies controlled by those individuals is as follows:

Director	Remuneration
Mr Trumbull	\$91,838
Mr Turner	\$116,855
Mr Glazebrook	\$211,524
Mr Perrin	\$42,115

It is anticipated that the remuneration to be paid to Directors for the 2011/2012 fiscal year (inclusive of superannuation and director's fees where applicable) will be similar to the fees set out in the table above.

(g) Dilution effect

If the Options are issued pursuant to Resolution 4 and each Director of the Company elects to exercise the Options (but do not exercise the other Options held by them), the Company will have raised \$400,000 and the total Shares on issue will increase from 168,859,949 to 172,859,949 being an increase of 2.3%, and accordingly each Shareholder's shareholding in the Company will be diluted.

If all the Options are issued pursuant to Resolution 4 and each Director of the Company elects to exercise all their Options (including the existing Options held by them), the total Shares on issue will increase from 168,859,949 to 182,859,949 being an increase of 7.6%.

4.4. Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by:

- Mr Trumbull, Mr Turner, Mr Glazebrook and Mr Perrin; and
- an associate of Mr Trumbull, Mr Turner, Mr Glazebrook and Mr Perrin.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

GENERAL NOTES

Entitlement to Vote

The Company has determined in accordance with Part 7.11 of the Corporations Regulations that for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register as at 11:00am on 26 November 2011.

Corporate Representatives

For a corporate representative to vote, they will require a Certificate of Appointment of Corporate Representative executed in accordance with the *Corporations Act*.

Voting

On a show of hands, every member present in person or by proxy or by attorney or, in the case of a corporation, by duly appointed representative, shall have one vote and on a poll one vote for every share held provided that if a member appoints two proxies or two attorneys, neither proxy nor attorney shall be entitled to vote on a show of hands.

Proxies

A member entitled to attend and vote at the Annual General Meeting may appoint one or two persons to attend and vote at the meeting as the member's proxy. If you wish to appoint a second proxy you will need to complete a second form. Computershare Investor Services Pty Limited will provide additional proxy forms upon request.

A proxy need not be a member. If two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

The Proxy Form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Yarra Falls, 452 Johnston Street, Abbotsford or by mail to GPO Box 242, Melbourne, Victoria 3001 or by facsimile to Computershare Investor Services Pty Limited on +61 3 9473 2555 (outside Australia) or 1800 783 447 (within Australia) by no later than 11:00am on 26 November 2011.

You may submit your proxy form online at www.investorvote.com.au. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is printed on the attached proxy form.

Shareholders and their proxies should note that new sections 250BB and 250BC of the Corporations Act apply to voting by proxy. In particular:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote as directed;
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll and must vote as directed; and
- (d) if the proxy is not the chair, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote as directed.

If a proxy is also a member, this subsection does not affect the way that the person can cast any votes they hold as a member.

If an appointment of a proxy specifies the way the proxy is to vote on a particular resolution and

- (a) the appointed proxy is not the chair of the meeting;
- (b) at the meeting, a poll is duly demanded on the resolution and either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Important Notice Regarding Appointment of Proxies in relation to Resolution 2

If you appoint the Chairman of the Meeting as your proxy or the Chairman is appointed as your proxy by default, you must either:

- (a) mark the bolded second box under Step 1 on the proxy form to direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolution 2; or
- (b) give directions as to how your proxy must vote in the tick box under Step 2 on the proxy form.

If you do not mark the bolded box under Step 1, and you have not directed your proxy how to vote on Resolution 2, the Chairman of the meeting will **not** cast your votes on Resolution 2 and your votes will **not** be counted in computing the required majority if a poll is called on this item.

The Chairman of the Meeting intends to vote all available proxies in favour of Resolution 2.

Custodian voting – For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

**ANNEXURE A
OPTION TERMS**

5. Interpretation

- (a) *ASX* means ASX Limited (ACN 008 624 691);
- (b) *Board* means the board of directors of the Company;
- (c) *Business Day* means a day not being a Saturday, Sunday or public holiday, on which banks are generally open for business in Victoria;
- (d) *Corporations Act* means the Corporations Act 2001 (Cth) as amended from time;
- (e) *Listing Rules* means the official listing rules of the ASX;
- (f) *Official List* has the meaning given to that term in the Listing Rules;
- (g) *Option* and *Options* means the options to be issued to the Optionholder on the terms detailed in these Terms of Options;
- (h) *Quotation* has the meaning given to that term in the Listing Rules;
- (i) *Shareholder* and *Shareholders* means a person who owns shares in the capital of the Company, notwithstanding that those shares may not be fully paid; and
- (j) *Shares* means fully paid ordinary shares in the capital of the Company.

Terms of Options

6. Entitlement

- 6.1. Each Option entitles the Optionholder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- 6.2. Shares issued on the exercise of Options will rank equally with all existing Shares on issue, as at the exercise date, and will be subject to the provisions of the Constitution of the Company and any escrow restrictions imposed on them by the ASX.

7. Exercise of Option

- 7.1.** The Options are exercisable at any time from the date of issue.
- 7.2.** The final date and time for exercise of the Options is 5pm Australian Eastern Standard Time on the five year anniversary date of the issue of the Options. If such date falls on a day that is not a Business Day, the final date will be the next Business Day.
- 7.3.** The exercise price of each Option is the greater of 150% of the Company's last share price immediately preceding the date of issue or \$0.10.
- 7.4.** Each Option is exercisable by the Optionholder signing and delivering a notice of exercise of Option together with the exercise price in full for each Share to be issued upon exercise of each Option to the Company's share registry.
- 7.5.** Remittances must be made payable to 'Nagambie Mining Limited' and cheques should be crossed 'Not Negotiable'.
- 7.6.** All Options will lapse on the earlier of the:
- (a)** receipt by the Company of notice from the Optionholder that the Optionholder has elected to surrender the Options;
 - (b)** expiry of the final date and time for exercise of the Option as set out in paragraph 7.2;
 - (c)** the termination of the Optionholder's engagement with the Company in circumstances which the Board considers to involve fraud, dishonesty or other serious misconduct which would constitute sufficient cause for an employer to dismiss an employee without notice; or
 - (d)** unless otherwise determined by the Board, the expiration of 30 days after termination of the Optionholder's engagement with the Company for any other reason other than those detailed in paragraph 7.6(c).
- 7.7.** In the event of liquidation of the Company, all unexercised Options will lapse.

8. Quotation

- 8.1.** The Company will not apply to the ASX for official quotation of the Options.
- 8.2.** If the Shares of the Company are quoted on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation of all Shares issued on the exercise of any Options within 10 business days (as defined in the Listing Rules) of issue. The Company gives no assurance that such quotation will be granted.

9. Participation in Securities Issues

Subject to paragraph 10 below, the holder is not entitled to participate in new issues of securities without exercising the Options.

10. Participation in a Reorganisation of Capital

10.1. In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of an Optionholder will be changed in accordance with the Listing Rules of the ASX applying to a restructure or reorganisation of the capital at the time of that restructure or reorganisation, provided always that the changes to the terms of the Options do not result in any benefit being conferred on the Optionholder which is not conferred on shareholders of the Company.

10.2. In any reorganisation as referred to in paragraph 10.1, Options will be treated in the following manner:

- (a)** in the event of a consolidation of the share capital of the Company, the number of Options will be consolidated in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
- (b)** in the event of a subdivision of the share capital of the Company, the number of Options will be subdivided in the same ratio as the ordinary share capital of the Company and the exercise price will be amended in inverse proportion to that ratio;
- (c)** in the event of a return of the share capital of the Company, the number of Options will remain the same and the exercise price will be reduced by the same amount as the amount returned in relation to each ordinary share;
- (d)** in the event of a reduction of the share capital of the Company by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled the number of Options and the exercise price of each Option will remain unaltered;
- (e)** in the event of a pro-rata cancellation of shares in the Company, the number of Options will be reduced in the same ratio as the ordinary share capital of the Company and the exercise price of each Option will be amended in inverse proportion to that ratio; and
- (f)** in the event of any other reorganisation of the issued capital of the Company, the number of Options or the exercise price or both will be reorganised (as appropriate) in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on shareholders.

11. Adjustments to Options and Exercise Price

- 11.1. Adjustments to the number of Shares over which Options exist and/or the exercise price may be made as described in paragraph 11.2 to take account of changes to the capital structure of the Company by way of pro-rata bonus and cash issues.
- 11.2. The method of adjustment for the purpose of paragraph 11.1 shall be in accordance with the Listing Rules of the ASX from time to time, which, under Listing Rules 6.22.2 and 6.22.3, currently provide:

(a) Pro Rata Cash Issues

Where a pro-rata issue is made (except a bonus issue) to the holders of underlying securities, the exercise price of an Option may be reduced according to the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

where:

- O' = the new exercise price of the Option.
- O = the old exercise price of the Option.
- E = the number of underlying securities into which one Option is Exercisable.
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price for a security under the pro-rata issue.
- D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro-rata issue).
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(b) Pro-Rata Bonus Issues

If there is a bonus issue to the holders of the underlying securities, on the exercise of any Options, the number of Shares received will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The exercise price will not change.

12. Takeovers and Schemes of Arrangement

12.1. If during the currency of any Options and prior to their exercise a takeover offer or a takeover announcement (within the meaning of the Corporations Act) is made to holders of Shares then within 10 Business Days after the Company becomes aware of the offer, the Company must forward a notice notifying the Optionholder of the offer and from the date of such notification, the Optionholder has 60 days within which to exercise the Options notwithstanding any other terms and conditions applicable to the Options or arrangement. If the Options are not exercised within 60 days after notification of the offer, the Options may be exercised at any other time according to their terms of issue.

12.2. If an offer for shares in the Company is made to Shareholders pursuant to a scheme of arrangement which has been approved in accordance with the Corporations Act, the Optionholder will be entitled to exercise Options held by him/her within the period notified by the Company.

13. Transfers not permitted

The Options are not transferable.

14. Notices

Notices may be given by the Company to the Optionholder in the manner prescribed by the Constitution of the Company for the giving of notices to Shareholders and the relevant provisions of the Constitution of the Company will apply with all necessary modification to notices to be given to the Optionholder.

15. Rights to Accounts

The Optionholder will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meeting of Shareholders, however, if the Optionholder is not a Shareholder, it will not have any right to attend or vote at these meetings.

DMR CORPORATE

DMR

DMR Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
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27 September 2011

The Directors
Nagambie Mining Limited
648 Ballantynes Road
Nagambie
VIC 3608

Dear Sirs

Value of Options

1. Introduction

- 1.1 We have been requested by Mr. Alfonso Grillo, Company Secretary of Nagambie Mining Limited ("Nagambie" or the "Company") to provide Nagambie with independent advice in respect of the fair value (as defined in Appendix A of AASB 2) of the 1,000,000 options proposed to be issued to each of the Company's four Directors, Messrs. Trumbull, Glazebrook, Turner and Perrin. Shareholder approval is being sought for the issue of the options at the Annual General Meeting to be held on or about 28 November 2011.
- 1.2 We understand the options are to be issued on the terms and conditions summarised below:
- the options are exercisable at the greater of \$0.10 per share or 150% of the Company's closing share price on the day prior to the date of issue of the options;
 - the options vest immediately upon issue;
 - the options expire five years from the date of issue;
 - the options will be unlisted; and
 - the options are not transferrable and lapse 30 days after the holder ceases to be a Director of Nagambie.
- 1.3 The options will be granted to Directors of the Company and must therefore be recognised for accounting purposes in accordance with Australian accounting standards, in particular AASB 2 'Share-based Payment'. AASB 2 requires options to be valued as at their grant date. A valuation as at an assumed grant date for the purposes of shareholder approval is completed in order to advise the shareholders of the approximate value of the option benefits that they are being asked to approve. If the options are approved and subsequently issued, another valuation as at the grant date must be completed, for the purposes of expensing the options in the company's accounts.

2. Valuation Methodology

- 2.1 Options are generally valued using one of a number of option pricing models and AASB 2 does not mandate the use of a particular model in valuing employee options.
- 2.2 We have reviewed the terms of the options and based on this review we have concluded that there is a reasonable probability that the options may be exercised before their expiry date. Our principal reason for this view is the lack of transferability of the options and the fact that they lapse following cessation of employment. Our view that the options may be exercised early is supported by empirical evidence, which shows that employee and director options are often exercised well before their expiry date. For this reason we have valued the options using a binomial model, which has been tailored specifically for use in valuing employee and director options.
- 2.3 The binomial model used incorporates the Hull-White adjustment. The Hull-White adjustment requires an assumption to be made that the options will be exercised when the share price reaches a selected multiple of the option exercise price.
- 2.4 The model used determines the value of an option as a function of the following variables:
- 1) the current share price of the underlying shares
 - 2) exercise price of the option
 - 3) volatility of the share price
 - 4) vesting conditions
 - 5) time to maturity
 - 6) risk free rate of interest
 - 7) expected dividend yield
 - 8) an exercise price multiple

3. Assumptions used

- 3.1 Set out below is a discussion of each of the variables and the assumptions that we have selected in applying the binomial model.
- 3.2 The current share price of the underlying shares

Nagambie is a limited liability company incorporated in Australia and its securities are listed on the Australian Securities Exchange ("ASX").

The volume weighted average share price ("VWAP") (based on closing daily prices) for the 30-day period ended 23 September 2011 was \$0.026 on a volume of 1,185,390 shares, and for the 90 day period ended 23 September 2011 the VWAP was \$0.025 on a volume of 3,154,840 shares.

During the 90 pay period the shares have traded in a range of \$0.021 to \$0.030 per share.

Based on the above share prices, we consider that \$0.026 represents the current market value of shares in Nagambie at the date of this report.

3.3 The exercise price of the options

The options are exercisable at the greater of \$0.10 per share or 150% of the Company's closing share price on the day prior to the date of issue of the options.

The above clause means that the share price as at the date of issue of the options would need to be \$0.067 per share or higher for the exercise price to be greater than \$0.10 per share. Given the share price history described in Section 3.2 above and the fact that, subject to shareholder approval, the options are to be issued immediately after the forthcoming annual general meeting, we have assumed that the exercise price will be \$0.10 per share.

3.4 The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualized standard deviation of daily share price returns on the underlying security over a specified period.

We source historical volatility information for Australian listed companies from a quarterly research report issued by SIRCA Limited ("SIRCA"), a leading provider of financial data in the Australian market. The SIRCA historical data included market information through to 30 June 2011.

The June 2011 SIRCA report estimated the volatility of Nagambie shares to be 68.24%. As Nagambie shares are relatively thinly traded, we have also considered the historical share price volatility of companies comparable to Nagambie as set out below:

Listed Company	ASX Code	Market Capitalisation \$millions	Volatility %
A1 Minerals	AAM	5	74.48
Maximus Resources	MXR	4	78.64
Terrain Minerals	TMX	3	69.97
Monterray Mining	MRY	4	73.09
Midwinter Resources	MWN	3	75.86
Central West Gold	CWG	4	76.90
Outback Metals	OUM	2	99.07
GTI Resources	GTR	2	67.20
AVERAGE			76.90
MEDIAN			75.17

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After considering the above information, we have concluded that a share price volatility of 70% is appropriate when valuing the Nagambie options to be granted on 28 November 2011.

3.5 Vesting conditions

The options vest immediately upon issue.

3.6 Time to maturity

The options expire five years after the date of issue.

3.7 Risk free rate of interest

The option pricing model uses a risk free rate of return in order to value options. We have used Commonwealth Treasury Bond yields with a maturity approximating the expiry date of the options. The rate used was 3.6%.

3.8 Expected dividend yield

Nagambie does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

3.9 An exercise price multiple

As stated in Section 2, options issued to directors and employees are often exercised prior to their expiry date. This occurs due to the lack of liquidity of the options.

Nagambie does not have a history that we could use to predict the likely exercise date.


Based on the available empirical evidence from a number of published studies emanating from the USA, we have concluded that options are generally exercised when the market price of the underlying shares reaches a multiple of 2.0 times the exercise price. This evidence is based on the issuance of options at an exercise price that is approximately equal to the current share price at the grant date. As the options that we have been requested to value are to be issued with an exercise price of at least 150% of the share price, we have selected an exercise price multiple of 1.5 times the exercise price.

This factor has been taken into account in the application of the Binomial Option Valuation Model we have used.

4. Valuation

4.1 Based on the assumptions set out in Section 3 above, we have assessed the value of each option at \$0.0051, or \$5,100 for the parcel of 1,000,000 options to be issued to each Director.


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- 4.2 The above value is our estimate of the fair value of the options. The value incorporates an assumption that the options will be exercised when the share price reaches a multiple of 1.5 times the exercise price. As this multiple is not based on the specific experience of Nagambie, by way of a cross check we have calculated the value of the options by excluding the assumption set out in 3.9 above and assuming that they would be exercised at their expiry date, being five years after the date of issue. This calculation reveals the maximum value of the options using the Black-Scholes Option valuation method to be \$0.0076, or \$7,600 for the parcel of 1,000,000 options to be issued to each Director.
- 4.3 Having considered all of the factors outlined in this report, including the above cross check, we have concluded that the fair value of the options is set out in paragraph 4.1 above.
- 4.4 This report has been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 - Valuation Services.

Should you require any further information please do not hesitate to contact us.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom



Nagambie Mining Limited

ABN: 42 111 587 163
Place of Incorporation/Registration: Victoria

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 NAG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

Your secure access information is:

Control Number: 999999

SRN/HIN: 19999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:00am (AEDT) Saturday 26 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Nagambie Mining Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Nagambie Mining Limited to be held at the Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, Victoria on Monday 28 November 2011 at 11:00am and at any adjournment of that meeting.

Important for Resolutions 2 and 4 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 2 and 4 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 2 and 4, the Chairman of the Meeting will not cast your votes on Resolutions 2 and 4, and your votes will not be counted in computing the required majority if a poll is called on these resolutions. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolutions 2 and 4).

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 2 and 4.

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 2 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolutions 2 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel and even if the Chairman of the Meeting has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

Resolution 1. Re-election of Mr Michael Trumbull

Resolution 2. Adoption of Remuneration Report

Resolution 3. Ratification of past issue of Unsecured Convertible Notes

Resolution 4. Issue of Options to Directors

	For	Against	Abstain
Resolution 1. Re-election of Mr Michael Trumbull	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. Ratification of past issue of Unsecured Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. Issue of Options to Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

NAG

999999A

Computershare +



nagambie
mining

Nagambie Mining Limited

ABN: 42 111 587 163
Place of Incorporation/Registration: Victoria



000001 000 NAG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Nagambie Mining Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following:

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Nagambie Mining Limited

